

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington DC 20554

Re: Incubator Proposal, MB Docket No. 17-289

Dear Ms. Dortch:

BIA Capital Strategies LLC and BIA Advisory Services LLC are submitting this letter to discuss the difficulties that potential new entrants to the broadcast industry experience in obtaining the necessary financing to purchase radio and television stations. Because there are serious obstacles for obtaining such financing, we support an FCC incubator program that would promote investment by established broadcasters in new entrants.

Formed in 1992, BIA Capital Strategies is a registered broker-dealer that raises capital and advises communications, media and Internet-focused companies on a variety of strategies – acquisition, divestiture, growth capital, recapitalization, refinancing, company formation, and restructuring. BIA Advisory Services is the recognized authority for data-centered research, valuation analysis and consulting for the local media industry for over 34 years. Both companies have been actively involved in hundreds of acquisitions in the local television and radio industries throughout these years.

Given the competition that local radio and television stations now face, they are experiencing limited (if any) growth in local market advertising revenue. The number of lenders to the broadcasting industry has declined significantly over the past decade. Those that remain typically focus on the largest groups serving the larger markets with seasoned operators. The leverage lenders provide today is much more conservative than in the past. And, without adequate debt financing, it is harder to find equity investors willing to invest in a slower growth industry. Equity investors also are hesitant to back operators without a history of prior ownership success and most will not consider financing new entrants.

These funding challenges are accentuated in medium and small markets. Radio and television stations in those markets operate at relatively tight margins, due to the high fixed costs of operation. Any slight downturn in the local economy, increased competition, or other factors could quickly turn a break-even operation into a money-losing proposition. Investors involved in the broadcast space know these market conditions and thus are apprehensive about lending to virtually anyone interested in acquiring stations in smaller markets.

One of the most important criteria for potential investors to clear the hurdle to lend to television or radio station buyers is whether they have had experience in owning and running successful stations in the past. While managing such properties for other owners is a good first step, it does not match the

credibility of having owned stations in the past. Hence, the proverbial “chicken and egg” problem. How does one get the credibility if no one is willing to take a chance and lend to a new owner?

In summary, it is difficult for even established broadcast owners, especially radio, to raise equity and debt financing in this competitive environment where so many advertising dollars are shifting to digital competitors such as Google and Facebook. First-time owners face daunting, if not nearly insurmountable, odds in obtaining financing, other than from sources such as friends and family.

Therefore, we are extremely encouraged by the establishment of an FCC-sponsored incubator program. We believe that an incubator program could help reduce the risks for potential investors and lenders by reassuring them that new entrants will have financial and other assistance from established broadcasters, and thus increase their willingness to lend to new entrants. While all of lenders’ apprehension surrounding the financing of station acquisitions by new entrants cannot be mitigated, an incubator program is a good first step.

We hope we have helped provide a better understanding of the challenges surrounding lending to new entrants in the television and radio industry.

Sincerely,

A handwritten signature in blue ink that reads "Gregg Johnson". The signature is fluid and cursive, with the first name and last name clearly distinguishable.

Gregg Johnson
Managing Director
BIA Capital Strategies, LLC

A handwritten signature in black ink that reads "Thomas Buono". The signature is cursive and elegant, with a long horizontal stroke at the beginning.

Thomas Buono
CEO & Founder
BIA Advisory Services, LLC

A handwritten signature in black ink that reads "Mark R. Fratrik". The signature is cursive and somewhat stylized, with the first name being the most prominent.

Mark R. Fratrik, Ph.D.
Senior Vice President, Chief Economist
BIA Advisory Services, LLC